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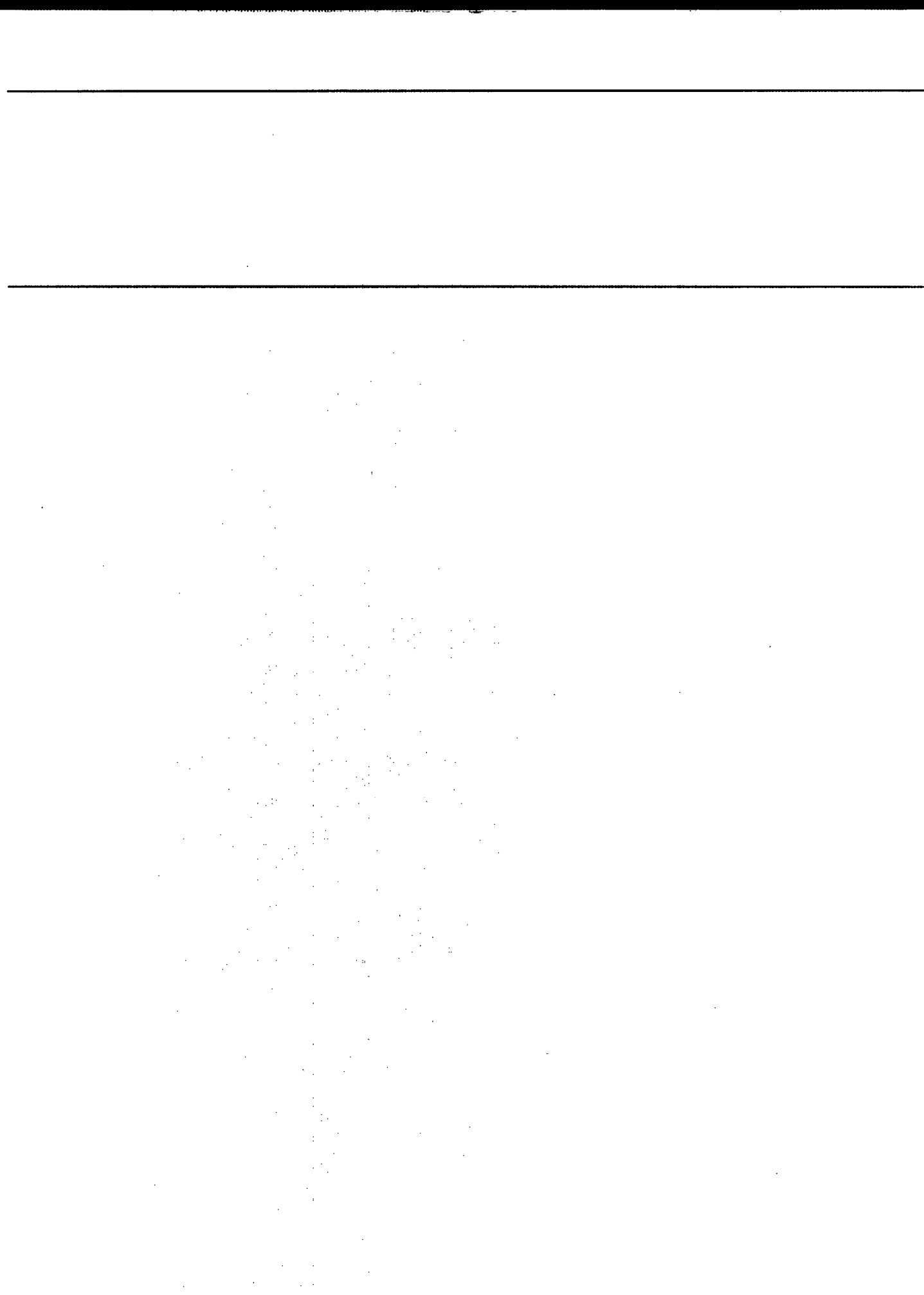
Report to the Clerk of the House of
Representatives

November 1993

FINANCIAL AUDIT

**House Stationery
Revolving Fund
for 3 Months Ended
9/30/92 and Year Ended
6/30/92**







United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114862

November 26, 1993

The Honorable Donald K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

As you requested, we have audited the House of Representatives Stationery Revolving Fund statements of financial position for the 3 months ended September 30, 1992, and for the year ended June 30, 1992, and the related statements of operations and cash flows for the periods then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on September 30, 1992, and June 30, 1992, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Fund's

- assets, liabilities, and government equity;
- revenues and expenses; and
- cash flows.

As discussed in note 3, the financial statements present only the activities of the Stationery Revolving Fund and do not present the financial position and results of operations of the entire Office Supply Service, which administers the Revolving Fund.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and

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- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Those controls in effect on September 30, 1992, and June 30, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles;
- establishing and maintaining internal controls to provide reasonable assurance that the internal control objectives mentioned above are met and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement; presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

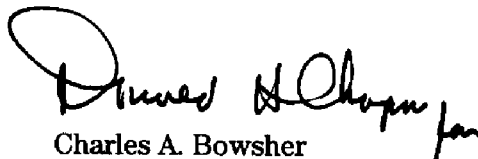
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls, including those over treasury, revenues, expenditures, equipment, inventory, and financial reporting; and

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- tested compliance with selected provisions of 2 U.S.C. 46b-1 and 106-110 and with the service charge regulations in the House of Representatives edition of the Congressional Handbook for items sold to Members or staff for personal use.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on June 15, 1993.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Charles A. Bowsher", with a stylized flourish at the end.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Financial Position

	September 30, 1992	June 30, 1992
Assets		
Current Assets		
Funds with U.S. Treasury	\$2,714,702	\$3,184,737
Petty cash	2,500	2,500
Accounts receivable	40,598	39,144
Merchandise inventory	<u>1,815,098</u>	<u>1,369,825</u>
Total current assets	<u>4,572,898</u>	<u>4,596,206</u>
Fixed Assets		
Equipment	252,688	252,688
Less accumulated depreciation	<u>233,654</u>	<u>231,454</u>
Total fixed assets	<u>19,034</u>	<u>21,234</u>
Total Assets	<u>\$4,591,932</u>	<u>\$4,617,440</u>
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$ 181,296	\$ 237,447
Unearned revenues	<u>66,207</u>	<u>87,250</u>
Total liabilities	<u>247,503</u>	<u>324,697</u>
Government Equity		
Appropriated capital	1,600,000	1,600,000
Donated capital (note 6)	5,000	5,000
Cumulative results of operations (note 4)	<u>2,739,429</u>	<u>2,687,743</u>
Total government equity	<u>4,344,429</u>	<u>4,292,743</u>
Total Liabilities and Government Equity	<u>\$4,591,932</u>	<u>\$4,617,440</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	Three months ended <u>September 30, 1992</u>	Year ended <u>June 30, 1992</u>
Revenues		
Net sales	\$1,609,545	\$9,409,587
Service charges	18,918	147,774
Miscellaneous	<u>5</u>	<u>139</u>
Total revenues	<u>1,628,468</u>	<u>9,557,500</u>
Expenses		
Cost of sales	1,574,582	9,368,770
Depreciation expense	<u>2,200</u>	<u>9,036</u>
Total expenses	<u>1,576,782</u>	<u>9,377,806</u>
Results of Operations	<u>\$ 51,686</u>	<u>\$ 179,694</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	Three months ended <u>September 30, 1992</u>	Year ended <u>June 30, 1992</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,627,014	\$ 9,568,622
Cash paid to suppliers	(2,097,049)	(9,597,025)
Net cash (used) by operating activities	<u>(470,035)</u>	<u>(28,403)</u>
Net (Decrease) in Cash	<u>(470,035)</u>	<u>(28,403)</u>
Cash at beginning of period	<u>3,187,237</u>	<u>3,215,640</u>
Cash at End of Period	\$ <u>2,717,202</u>	\$ <u>3,187,237</u>
Reconciliations of Results of Operations to Net Cash (Used) by Operating Activities		
Results of operations	\$ <u>51,686</u>	\$ <u>179,694</u>
Adjustments to reconcile results of operations to net cash (used) by operating activities		
Depreciation	2,200	9,036
Decrease (increase) in assets		
Accounts receivable	(1,454)	11,123
Merchandise inventory	(445,273)	(244,277)
Increase (decrease) in liabilities		
Accounts payable	(56,151)	4,305
Unearned revenues	<u>(21,043)</u>	<u>11,716</u>
Total adjustments	<u>(521,721)</u>	<u>(208,097)</u>
Net Cash (Used) by Operating Activities	\$ <u>(470,035)</u>	\$ <u>(28,403)</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Notes to Financial Statements

Note 1. Description of Entity

The House of Representatives Stationery Revolving Fund was authorized by section 101 of the Legislative Branch Appropriation Act, 1948 (2 U.S.C. 46b-1). The Revolving Fund is administered by the Office Supply Service and is subject to the rules and regulations of the Committee on House Administration. Through March 31, 1993, it was under the jurisdiction of the Clerk of the House of Representatives. Effective April 1, 1993, the operational and financial responsibility for the Office Supply Service was transferred from the Clerk of the House of Representatives to the Director, Non-Legislative and Financial Services. The Director is subject to policy direction and oversight by the Committee on House Administration.

The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies. These operations are financed from the House of Representatives Stationery Revolving Fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited into the revolving fund and are available for operations.

Note 2. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

Inventories are stated at cost using the moving-average method of valuation.

Equipment is stated at cost. Depreciation is computed using the straight-line method over a 5-year life with no salvage value.

A 10-percent service charge is added to all nonofficial sales, which consist primarily of sales to congressional staff.

Accounts receivable include amounts owed to the Fund at year-end by committees and officers of the House and by vendors for the value of merchandise returned.

Unearned revenues represent amounts to be recognized as revenue in subsequent periods when prepaid special order merchandise is delivered.

Cost of sales includes the value of obsolete and damaged merchandise written off and merchandise marked down and sold below cost.

Note 3. Other Operating Costs

Certain costs of operating the Office Supply Service are not paid from the Revolving Fund. The costs related to space occupancy, building maintenance, lighting, and temperature control cannot be readily determined. Identifiable costs paid from appropriated funds for the 3 months ended September 30, 1992, and the year ended June 30, 1992, follow.

Identifiable Operating Costs Paid From Appropriated Funds

	Three months ended <u>September 30, 1992</u>	Year ended <u>June 30, 1992</u>
<u>Costs Paid</u>		
Gross salaries	\$264,890	\$1,067,854
Employee benefits	63,489	244,791
Equipment maintenance	3,221	13,322
Office supplies	1,293	31,523
Telephone service	774	3,178
Computer service	190	3,524
Property supply	<u>209</u>	<u>1,286</u>
Total	<u>\$334,066</u>	<u>\$1,365,478</u>

Note 4. Prior Period Adjustment to Cumulative Results of Operations

The cumulative results of operations at the beginning of fiscal year 1992 have been restated to correct errors reported in prior periods. These errors include an understatement of cost of sales and related overstatement of accounts receivable of \$16,032 and an understatement of depreciation expense and accumulated depreciation of \$1,188. The following Statement of Cumulative Results of Operations for the year ended June 30, 1992, shows the effect of the restatement on the year's beginning and ending cumulative results balances.

Financial Statements

Statements of Cumulative Results of Operations

	Year ended <u>June 30, 1992</u>
Cumulative results of operations, beginning of period	\$2,525,269
Prior period adjustment to cumulative results of operations	<u>(17,220)</u>
Restated cumulative results of operations, beginning of period	2,508,049
Results of operations	<u>179,694</u>
Cumulative Results of Operations, End of Period	<u>\$2,687,743</u>

Note 5. Purchase Order Commitments

Obligations for undelivered orders amounted to \$331,665 as of September 30, 1992, and \$608,062 as of June 30, 1992.

Note 6. Donated Capital

Computer equipment was donated by the United States Senate Stationery Room on May 23, 1988. The fair market value of this equipment was estimated to be \$5,000. Depreciation expense on this equipment was \$250 and \$1,000 for the 3 months ended September 30, 1992, and for the year ended June 30, 1992, respectively.

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